

November 9, 2006

FINANCE COMMITTEE REPORT

A Finance Committee meeting was held Thursday, November 9, 2006 at 2:30 p.m. in the County Administration Building, Quorum Court Meeting Room, 215 East Central, Bentonville.

Committee Members Present: Allen, Moore, Sheridan, Stephenson, Summers, Wolf, Wozniak

Others Present: County Judge Gary Black, JP Burton Schindler, County Clerk Mary L. Slinkard, Sheriff Keith Ferguson, Collector Greg Hoggatt, Travis Harp, Richard McComas, Michele Anderson, Barbara Ludwig

Media: Michelle Burhenn – Morning News; Tracy Neal – Benton County Daily Record

JP Tim Summers called the meeting to order at 2:30 p.m.

PUBLIC COMMENTS:

None

2007 Budget Review

JP Summers stated that they would look at two different Budget Recap sheets. He said they have taken into consideration the lost revenue from the Bella Vista incorporation, which decreases the amount of reserves required by State law. He pointed out the beginning Fund Balance of \$4.8 million, and said that they had made the decision to fund the proposed part-time clerical pool instead of including it with the new personnel requests. He said they then figured in a 7% pay increase for all county employees which will cost \$300,000. He said that they are figuring a net increase of 1/10th of a mill in County General, which equals \$336,000, and they do not want to increase it anymore because they expect a rollback. He said they then figured in the funding of the Personnel Committee's recommendations for new employees, reorganizations, and wage adjustments, and there is \$500,000 available for that. He said they then increased the road millage from 1.2 to 2.2, which equals \$1.3 million, but the cities will get 50%. He said the Transfer from the Circuit Clerk will be \$100,000, and they are estimating Returned Appropriations to total approximately \$500,000. He said this brings them to the beginning balance of \$5.4 million.

He said that the Road Department transfer was reduced by \$500,000. He said based on these numbers, the unappropriated fund balance beyond reserves would be \$1,077, and that includes \$625,000 for Capital Projects which brings that fund balance to \$2.7 million. He said these numbers were based on a 1.1 mill increase in the millage rate.

JP Summers stated that the second page they will look at shows a 5% salary increase instead of 7%, which leaves the unappropriated fund balance at \$301,077. JP Summers stated that they could have tweaked a little more on expenditures, but they could come nowhere close to balancing the budget and providing services. He said he initially thought they would be forced to raise the millage to the maximum, and that they would be lucky to fund even a 5% raise. He said the combination of fewer new budget requests, the accounting staff working very hard to keep the budget in line, and the good position they are in with the Health Insurance fund lead him to be very much in support of the 7% salary increase. He noted that these are not the staff's recommendations, but his. JP Stephenson asked when they could determine how many of the new personnel requests they would be able to fund. JP Summers stated that they would decide which salary increase to recommend to the Committee of Thirteen, and then look at new personnel requests. JP Stephenson asked to look at the new personnel before a decision is made on the salary increase. JP Summers stated that it would not make any difference, because it is the same dollar amount. JP Stephenson stated that it did not have to be the same dollar amount. JP Summers stated that was true. Richard McComas asked why they could not make a decision on their existing employees before they make a decision on new personnel. JP Stephenson stated there is a \$300,000 difference in the 5% increase and 7% increase to existing employees, and if they could look at where they are on the list of personnel requests it would help him make up his mind on which increase to support. Richard McComas stated that the only thing figured into the additional cost between the 5% and 7% increase is the equity to keep the existing pay scale where it is. He said the 7% will only be given to employees who have been here two years or more because they have worked hard to get the pay scale balanced, and get the pay line close to market. He said if they do not continue to fund it the same way as the Cost of Living increase, they will end up right back where they were several years ago, and have to make huge adjustments at the end of the year. He said he wanted to make it clear that the 7% was not an across the board increase, but that the difference in the 5% and 7% is to keep the pay scale equitable.

JP Sheridan stated that he understood the point that JP Stephenson is making, and that the Personnel Committee heard a lot of requests for new people, wage adjustments, and reorganizations, and he felt that they should look at the new personnel requests before they forward a recommendation on the increase. He noted that the clerical pool has already been added, which he thought was a good thing, but he felt that there are other positions that are needed as well, and they should look at those before deciding on whether to give a 5% or 7% increase.

Richard McComas stated that he wanted to point out that due to the changes made to the Health Insurance plan, employees paid \$150,000 out of their pocket for deductibles that the county would previously have paid. He said the \$450,000 loan made to the Health Insurance Fund has been repaid, and there will still be well over \$500,000 in the Fund. He said there will be no money asked for Health Insurance this year, and he wanted them to keep that in mind when making their decision.

Human Resources Director Barbara Ludwig went over the ranking sheets prepared by the Personnel Committee. She said that the General Fund Budget Impact Ranking Sheet shows how far down the list they can go with the \$500,000 that has been budgeted for 2007. She said that after the reorganizations and wage adjustments are included they can

add all of the positions through the Transport Deputy position ranked number 9. She said that will include a Juvenile Probation Officer, 3 Transport Deputies, a Captain of Administration, a Crime Property Technician, a Deputy Public Defender, a Court Order Clerk/Legal Secretary, and the Electrician/HVAC Technician. She said this group will include everything that was requested mid-year.

JP Stephenson stated that he is less concerned about Sheriff's Deputies now that Bella Vista has incorporated. JP Wozniak stated that did not change anything. JP Sheridan agreed. JP Stephenson stated that he stood corrected, but that the point he was trying to make is that someone made a very sincere request and explained the potential that the county is incurring with the lack of a warrant secretary. He said that he has always felt that the county has an inadequate number of deputies to cover the territory. JP Summers expressed his appreciation to the Personnel Committee for the rankings, and said that was as important as anything that they do all year.

JP Moore asked if it would be possible to add all of the positions requested if they gave 5% raises instead of 7% raises. JP Summers stated that it would take them through position number 14, which is an additional Sheriff's Deputy. Barbara Ludwig stated that they told every employee last year that the reason they were only getting a Cost of Living increase and no merit raise was because the Health Insurance costs were so high. She said there has been a \$1 million turnaround in that fund in one year, and that the employees are responsible for a lot of that with things such as weight loss contests and smoking cessation classes. She said she would like to see the employees rewarded for turning that around. She said the second concern is that they may end up with salary compression like Washington County, where 85% of their employees are below midpoint, if they choose the flat 5% this year after only giving Cost of Living last year.

JP Allen stated that he could understand and have compassion for all of the things Barbara Ludwig mentioned, including the Health Fund changes, but we also have a unique situation this year. He said that everything should be on the table, and people will have to understand that they have to make hard choices. He said he is not in favor of raising taxes just to go from 5% to 7%, because a 5% increase is still pretty good.

JP Schindler stated that if he remembered correctly, the Warrants Secretary would be income producing because of the increase in the number of warrants that could be processed. Sheriff Keith Ferguson said he could not speak for everyone who has asked for additional personnel, but he is going to look at his budget and try to cut it a little bit more because we need to give the employees the 7% increase in order to keep the people we have already trained. He added that if you don't pay good people, you don't get good people. He said they are growing so fast, and they are continually starting over with training new people. He said that in regards to the Warrants Secretary, they have 5,000 to 6,000 warrants in the office all of the time, and they cannot get caught up, which results in lost dollars to the county and criminals on the streets who should be in jail. He said they get 100 to 200 warrants per week, and are paying a lot of overtime just to keep even. He said it would be easy to go backwards on the salaries, but they will have to climb the hill again later.

JP Wolf asked which of the requested positions Sheriff Ferguson would replace with the Warrants Secretary. Sheriff Ferguson stated that all of the positions he asked for were important. JP Wolf said that if they go with the 7% pay raise, they will have to go a different direction on the number of new positions. JP Stephenson stated that he was

having difficulty in understanding the two points that Sheriff Ferguson was trying to make—that we need to give the 7% increase and he needs the additional positions that fell below the number 9 ranking. JP Stephenson read an article from “Quorum Court Money Power” that listed which functions of county government are required to be funded, and which ones are desirable. He asked Sheriff Ferguson which thing weighed more heavily, his need for additional personnel or his desire to give the 7% raise. Sheriff Ferguson stated that he would like to have both. He said that some of his employees are not going to the doctor because they do not have the money, and are treating themselves. He said the increase in the employee deductible served its purpose in reducing costs to the county and cutting down on abuse, but the 3% raise they got last year did not go very far. He repeated that they cannot go backwards.

JP Stephenson stated that they are ignoring the fact that it is a consensus that there will be a 3.3% Cost of Living adjustment which every employee in the county will receive. He said what is debatable is the difference that will be available for merit. He said they fact that they are in the black at the present time with the self-insured health insurance is a double-edged sword. It may be just due to good luck, and the fund may be broke in 6 months, and there are more and more employees in the private sector who are being deprived of health insurance. He said that County employees should be happy with what they have, and he understands their desire for more, but just because you desire something does not mean that you get it. Sheriff Ferguson stated that they not only desire it, they feel like they are working for it by serving the public, and they feel they have earned it. He said if they don’t pay the employees, they will not be able to keep them, and that one of his deputies can go to Pea Ridge and make \$1,500 more a year. JP Schindler stated that the Warrants Secretary is the lowest cost position on the list, and he felt they could find some way to fund it because it would produce income for the county. He asked if the 7% could be changed to 6.5% or something like that to come up with the \$35,000 for the Warrants Secretary position. JP Summers stated that was up to the committee. JP Moore stated that it sounded like the Warrants Secretary position would fund itself, which is one of the criteria that they normally use when making decisions on positions.

Richard McComas stated that they have proposed a 7% increase for people who have been employed continually for the last two years, 5% for people who have been for a full year, and 3.3% for new employees. He said that will keep them in scale for the current pay scale that they have worked hard to maintain. He said there was no merit increase last year, and basically the raise that is being proposed is not merit, it is just to keep us in line with the salary scale.

JP Summers asked if the committee would be willing to continue looking at the 7% if the departments could find the dollars within their budget to make up the \$300,000 that will be needed. He said that most of the budget comes from the Sheriff, Road, and County Judge, so they could share the cuts on a pro rata basis. Sheriff Ferguson stated that he would find half the amount if the County Judge would pledge to cut the other half from his budget. County Judge Gary Black stated that they would do their part. JP Summers stated that they would only need to increase the Road Millage by eight/tenths of a mill instead of one mill, and not add the additional positions. Richard McComas stated that was not what Sheriff Ferguson and County Judge Gary Black were agreeing to. He said they are pledging the cuts in their budgets in order to fund all of the personnel on the list

in addition to the 7% increases. JP Summers said that the proposal is to leave the millage at the proposed rate of 4.9 County General, and 2.2 County Road, fund the 7% raise, and add all of the additional personnel on the priority list, with the difference in the necessary funds to come from budget cuts in the Sheriff's office and County Judge's office.

Richard McComas stated that it would take approximately \$200,000 to add all of the additional employees. JP Summers asked County Judge Gary Black if that is what he is agreeing to. County Judge Gary Black stated that was correct.

JP Allen stated that he is not comfortable with automatically raising the millage when there are major changes in the revenue coming into the county with all of the new commercial developments. He said they need to do further study.

JP Moore asked if the questions about the sign maintenance shop position had been answered. Assistant Administrator Travis Harp stated that they had decided to pull that request, and would continue to pull other personnel from the road maintenance crew.

JP Stephenson stated that would like to ask in all sincerity what JP Allen would like to further analyze. JP Allen stated that if there is anything at all anywhere that could be cut, he would like to see it cut, whether it is a 1% cut across the board or whatever. He said maybe they had already done all that, but he did not want to just assume that the millage had to be raised. He said he still feels like there is a gap somewhere that he is missing, and he has constituents that he has to explain it to. JP Summers stated that the county has lost \$3.5 million in revenue due to the incorporation of Bella Vista, and the staff works the budget hard enough that the General Fund expenditures projected for 2007 are only \$500,000 more than 2006, which is an increase of less than 2%. He said we could cut services, cut people, and not give any pay increases. But he said that the way he sees it, for the county to take the hit it has taken, and not have to raise the millage to the maximum is an extraordinary thing, and that is mainly due to the growth in revenue. He said that there are unexpected things every year, both on the revenue and expenditure side. He said that personnel costs are 2/3 of the expenditures, and there is a high turnover rate in the Sheriff's office due to salaries. He said that it takes 3 to 6 months to train someone to the point that they are a valuable employee, and they end up training officers for a lot of other entities. He said that you could see in the County Clerk's office during early voting how many people were required to work long hours. He said his personal opinion is that it is worthwhile to raise the millage to keep good employees, and the opposing opinion expressed by JP Allen is understandable. He said they have worked hard to get the salaries up where they are competitive with the area market. He said that based on the dollars lost, this is a very reasonable increase. JP Allen stated that he has been in favor of getting salaries up where they need to be, and he is not taking a position against anything right now, but there were a lot of changes on all levels of government in the recent elections, and the people who voted for incorporation knew they would have higher taxes, so maybe they are expecting it. He said that people who are not close to government may not understand that, and commended Comptroller Richard McComas for the excellent work his staff has done on the budget. He said that he is a little surprised that we are as close as we are, but that makes him think if they are that close, then lets work a little bit harder and find a way to not raise the millage. He said that it seems that they are moving a little fast, deciding to raise the millage 2 days after the election. JP Summers stated that they are not moving fast, that they have been prepared to make a decision one way or the other since day one.

JP Sheridan asked for clarification on the Road Department transfer. Richard McComas explained that there was a \$500,000 reduction in the transfer to County Road, and the revenue from the millage increase had been added in. JP Stephenson stated that he is not comfortable with the Unappropriated Funds balance of \$1,077. Richard McComas pointed out that the balance in Total Reserves is \$3.8 million, which is the mandatory amount, and they are adding the \$1,077 to that. JP Stephenson asked what ultimately becomes of the Reserve Fund. Richard McComas stated that it sits in the bank, and the way the law is written they can never spend more than they take in. JP Moore stated that they still have a catastrophic reserve in the form of the Capital Projects fund, although he hopes they never have to raid it.

JP Wozniak made motion to accept the proposed budget which includes a 1.1 millage increase, the 7% salary increase, all of the requested additional personnel with the exception of the sign maintenance shop position, along with the proposal from Sheriff Keith Ferguson and County Judge Gary Black that the additional funds needed will come from cuts to their budgets, and forward it to the November 14, 2006 Committee of Thirteen meeting, seconded by JP Stephenson.

County Judge Gary Black stated that he has the largest portion of the budget, along with the Sheriff, so he can see why they would look to them to cut the budget although they only have one position on the personnel request list. He said it is easy to just sit there and say they will cut \$140,000 from their budget, but he does not want people to think there were things in the budget that they did not need, because they are needed. He said that if that means that they can give their employees a 7% raise, they are willing to do it. He said their budget is pretty tight the way it is because Richard McComas has already raked them over the coals. He said there are always some things they can do without for a good cause, and he thinks the employee raises are a good cause. He said that providing services to the citizens is important, but nothing is more important than taking care of their good employees. He added that he would appreciate the Sheriff giving him a little more priority on using the work detail. He said they would find the \$140,000 if they will vote for the 7%.

Sheriff Ferguson stated that his budget was cut \$100,000 last year, and that he had budgeted the same this year as he did last year toward his efforts in getting rid of the high mileage vehicles. He said he echoed the County Judge 100% because they have to have good people, and noted that the 1.1 mill increase will come out of his pocket also.

JP Summers stated that there will be plenty of time for debate after it is forwarded to the Committee of Thirteen, and there is still time to look at the numbers, and review some more, and told JP Allen that they welcomed any thoughts or suggestions.

Richard McComas stated that the General Fund millage will increase to 5.0, but with the rollback, the net increase will be 1/10 of a mill, and Road will increase 1 mill. JP Summers stated that they have made the projections based on their best guess about the rollback, which could always be a surprise.

County Clerk Mary L. Slinkard stated that she will need to know the millage rate before Tuesday, so the Quorum Court can pass a Resolution setting the rate, and she will calculate the rollback after that. JP Summers asked if they could defer the decision on the millage to a later date if an agreement is not reached at the Committee of Thirteen meeting, as long as they do it before the regular November meeting. County Clerk Mary L. Slinkard stated that they would have some time, but she cannot calculate the rollback

until the Resolution setting the millage rate is passed. JP Sheridan asked if the motion passed with the proposed millage rate, could the rollback be calculated before the Committee of Thirteen. County Clerk Mary L. Slinkard stated that she would do that. Motion passed by unanimous show of hands vote.

JP Summers stated that if the millage rate is approved at the Committee of Thirteen meeting on November 12, they will vote on the Resolution at a Special Quorum Court meeting immediately following. Mary L. Slinkard stated that was correct, because she has to have a Resolution setting the millage rate before she can draft the Levy Ordinance.

After motion and second the meeting adjourned at 3:48 p.m.